

# EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

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## Recent economic trends

*In this number:  
Quarterly national accounts  
third quarter 1985*

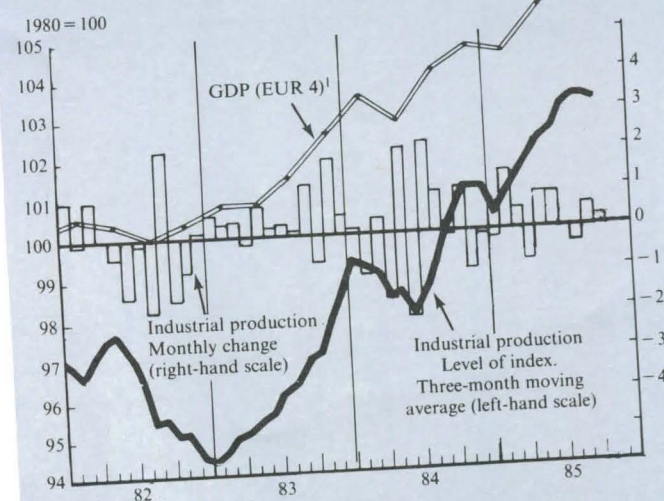
**Output growth continues in third quarter.** — According to estimates based on data for the four largest Member States, the gross domestic product of the Community grew in the third quarter of 1985 by 3% in real terms—seasonally adjusted annual rate—on the previous quarter. This growth in output followed on from the recovery (3,9% s.a.a.r.) in the second quarter after a first quarter which was depressed by the cold spell at the beginning of the year. All components of domestic demand were buoyant in the third quarter with fixed investment growing strongly (7,7%) after a weak performance in the first half of the year. Private consumption grew by nearly 3%, continuing the significant expansion from the low rates of growth experienced in 1984 (0,7% on average). The foreign balance exerted a dampening effect on GDP growth with exports slowing down appreciably while imports recovered.

In the *Federal Republic of Germany* the growth of 9,2% (s.a.a.r.) in gross national product in the third quarter was the highest quarterly growth rate registered since 1977 Q4. In contrast to the Community aggregate the foreign balance continued to exert a positive effect on growth, although less pronounced than in the second quarter. All components of domestic demand were buoyant with private consumption continuing to advance strongly (6,8% s.a.a.r.) and investment growing markedly (12,4%) after the rebound experienced in the second quarter.

The growth of gross domestic product in *France* slowed down somewhat in the third quarter to 1,2%. The main factor in the slowdown was the large negative effect exerted by the foreign balance with exports falling after a buoyant second quarter. The rise in stockbuilding (which contributed 6,1 percentage points to the growth of GDP) produced important spillover effect on imports which rose at a seasonally adjusted annual rate of 24%. Other components of domestic demand also grew steadily with the quarterly increase in gross fixed investment being the strongest experienced since the end of 1979.

In *Italy* output growth was also weaker (0,8% s.a.a.r.) in the third quarter. Here however the foreign balance continued to exert a positive effect on growth. A negative contribution of stockbuilding resulted in a decline in imports for the second quarter running. Other components of domestic demand expanded modestly, with private consumption still relatively depressed.

GRAPH 1: Industrial production and gross domestic product (s.a.) - EUR total



France, Germany, Italy and UK: quarterly figures.

**TABLE 1: Major supply and demand components at constant prices**  
(Percentage change on preceding period, annual rates; seasonally adjusted)

		GDP (a)	Imports (b)	Exports (b)	Foreign balance (a)(b)	Domestic demand	Change in stocks (c)	Final domestic demand	Gross fixed in- vestment	Govern- ment con- sumption	Private consump- tion
<b>EUR 4</b>											
1982	Q1	0.9	7.3	-4.1	-3.0	4.0	2.5	1.4	1.2	3.7	0.8
	Q2	-0.7	-0.1	-4.9	-1.3	0.6	-0.3	0.9	3.8	-1.5	0.7
	Q3	-1.3	-5.2	-5.8	-0.2	-1.2	-1.4	0.2	-0.1	0.4	0.2
	Q4	1.1	-6.1	2.1	2.2	-1.1	-3.0	2.0	-0.7	1.6	3.1
1983	Q1	3.0	6.2	3.2	-0.7	3.8	3.1	0.6	-2.2	3.0	0.8
	Q2	0.4	3.5	6.3	0.7	-0.3	-0.7	0.4	-0.4	0.2	0.8
	Q3	2.3	1.8	-0.1	-0.5	2.8	0.7	2.0	3.8	1.3	1.7
	Q4	4.1	14.5	14.1	-0.1	4.1	0.5	3.7	8.5	2.9	2.4
1984	Q1	3.5	4.5	12.3	2.0	1.5	1.5	0.0	-0.7	0.1	0.1
	Q2	-2.4	3.9	-4.0	-2.1	-0.3	-0.9	0.6	-3.7	2.2	1.5
	Q3	4.5	5.1	9.4	1.1	3.4	1.1	2.3	7.2	3.6	0.4
	Q4	2.5	15.7	17.1	0.4	2.1	0.6	1.6	4.3	1.5	0.7
1985	Q1	-0.2	3.5	1.1	-0.7	0.4	0.7	-0.3	-7.3	-1.2	2.5
	Q2	3.9	-2.4	8.6	3.1	0.7	-1.3	2.1	-0.3	0.6	3.4
	Q3	3.0	3.7	-1.6	-1.5	4.6	0.7	3.9	7.7	3.7	2.8
<b>Federal Republic of Germany</b>											
1983	Q1	1.9	4.8	1.4	-0.9	2.9	1.5	1.2	-6.1	3.8	3.1
	Q2	5.7	12.6	3.1	-2.4	8.5	3.9	4.3	16.3	0.0	1.7
	Q3	-0.1	-2.2	-9.5	-2.4	2.5	2.3	0.1	1.0	1.6	-0.8
	Q4	5.2	16.1	18.5	1.1	4.2	0.1	4.1	13.4	3.8	1.0
1984	Q1	5.6	6.8	17.0	3.2	2.4	4.3	-2.0	-10.0	-1.0	1.0
	Q2	-6.3	-1.4	-4.4	-1.0	-5.5	-4.2	-1.2	-13.9	5.9	1.3
	Q3	9.0	1.1	11.5	3.3	5.7	0.7	4.9	19.2	2.6	1.0
	Q4	3.1	10.9	20.6	3.4	-0.2	-1.8	1.6	11.0	4.7	-2.8
1985	Q1	-4.6	7.2	2.1	-1.3	-3.4	7.5	-10.7	-36.8	-6.5	-0.4
	Q2	5.6	-0.7	9.6	3.5	2.2	-7.7	11.1	31.9	5.8	6.5
	Q3	9.2	3.9	7.2	1.3	8.3	0.4	7.8	12.4	6.3	6.8
<b>France</b>											
1983	Q1	-0.4	5.9	-2.5	-2.0	1.6	2.7	-1.1	-4.0	3.4	-1.0
	Q2	2.5	-13.5	17.7	7.7	-4.8	-4.0	-0.9	-7.4	-1.2	1.2
	Q3	-1.3	-4.0	1.5	1.3	-2.7	-2.5	-0.2	1.4	0.8	-0.8
	Q4	2.9	13.4	12.2	-0.2	3.2	0.1	3.1	2.0	0.3	4.1
1984	Q1	3.7	1.7	10.2	2.0	1.7	2.0	-0.3	-3.8	2.5	0.2
	Q2	-1.1	0.9	-5.0	-1.5	0.4	1.9	-1.5	-3.0	-3.7	-0.5
	Q3	3.6	2.5	12.1	2.3	1.3	1.3	0.0	-2.4	3.0	0.1
	Q4	-0.8	7.6	5.1	-0.5	-0.3	0.5	-0.7	-2.5	-1.9	0.1
1985	Q1	-0.9	2.4	-1.2	-0.9	0.0	-3.1	3.3	-2.8	1.6	5.5
	Q2	3.6	0.4	6.6	1.6	2.0	1.2	0.8	2.9	-1.7	0.7
	Q3	1.2	23.9	-5.6	-6.8	8.5	6.1	2.3	7.6	2.5	0.7
<b>Italy</b>											
1983	Q1	3.7	0.2	10.8	2.5	1.2	0.3	0.9	2.0	3.1	0.1
	Q2	-3.3	4.9	12.9	2.0	-5.5	-2.5	-2.9	-6.5	2.6	-3.2
	Q3	4.3	11.9	11.4	0.3	4.2	1.0	3.1	7.9	2.7	2.0
	Q4	4.3	9.3	7.6	0.0	4.6	1.6	2.8	1.9	2.9	3.0
1984	Q1	2.2	10.2	9.8	0.3	1.9	0.0	1.9	5.6	2.9	0.7
	Q2	2.6	2.5	-3.7	-1.5	4.4	1.5	2.8	0.9	2.7	3.3
	Q3	4.4	12.6	10.1	-0.1	4.7	0.7	4.0	11.6	2.4	2.5
	Q4	-2.3	24.7	8.7	-2.8	0.6	-0.8	1.4	3.9	2.1	0.6
1985	Q1	3.7	4.3	-4.0	-2.1	6.9	1.6	4.3	4.8	1.8	4.8
	Q2	3.3	-1.9	14.5	4.1	-0.8	-1.7	0.9	4.9	1.8	-0.3
	Q3	0.8	-3.8	3.4	1.8	-1.0	-1.4	0.5	1.1	1.3	0.1
<b>United Kingdom(d)</b>											
1983	Q1	7.9	14.9	5.2	-2.1	10.5	8.7	1.4	2.6	1.5	1.0
	Q2	-4.8	9.9	-3.2	-3.2	-1.6	-2.0	0.4	-7.8	-0.2	3.1
	Q3	7.7	4.8	4.1	-0.2	7.9	1.8	6.0	7.9	0.4	7.5
	Q4	3.5	18.4	15.3	-0.6	4.2	-0.3	4.6	16.8	4.0	1.4
1984	Q1	1.8	-0.9	9.5	2.8	-1.0	-1.7	0.8	12.9	-2.9	-1.4
	Q2	-3.2	16.2	-2.9	-4.8	1.7	-1.6	3.4	7.3	2.5	2.5
	Q3	0.2	6.5	3.3	-0.9	1.0	1.0	0.0	-0.4	6.3	-2.0
	Q4	10.4	22.0	31.1	2.1	8.1	3.8	4.2	3.5	0.0	5.9
1985	Q1	2.7	-0.9	5.9	2.0	0.7	-4.5	5.5	30.6	0.8	0.0
	Q2	2.6	-7.7	4.4	3.6	-1.0	4.7	-5.5	-36.6	-4.6	6.7
	Q3	-0.6	-6.6	-14.1	-2.5	2.0	-2.1	4.3	7.7	3.4	3.6

(a) F.R. of Germany: GNP.

(b) Goods and services including intra-Community Trade. F.R. of Germany: including factor incomes.

(c) Change on previous period as a percentage of previous period's GDP.

(d) The GDP series for the United Kingdom present the estimates from the expenditure side at market prices. The estimates from the expenditure, output and income sides at factor cost give, for the period considered, substantially different results:

	1983			1984				1985		
GDP change estimated from the side of	Q3	Q4		Q1	Q2	Q3	Q4	Q1	Q2	Q3
Expenditure	8.1	3.1		1.5	-4.5	0.8	10.4	5.3	2.6	-2.9
Output	6.8	4.3		2.3	0.0	3.5	3.8	4.5	4.9	1.1
Income	2.3	3.5		2.3	-2.6	10.2	5.3	0.7	6.9	-0.7
Average	5.6	3.9		1.5	2.3	5.1	6.6	3.0	4.9	-1.1

Sources: Federal Republic of Germany (Bundesbank), France (INSEE), Italy (ISCO) and United Kingdom (CSO). Figures for Germany do not include the adjustment for calendar irregularities.



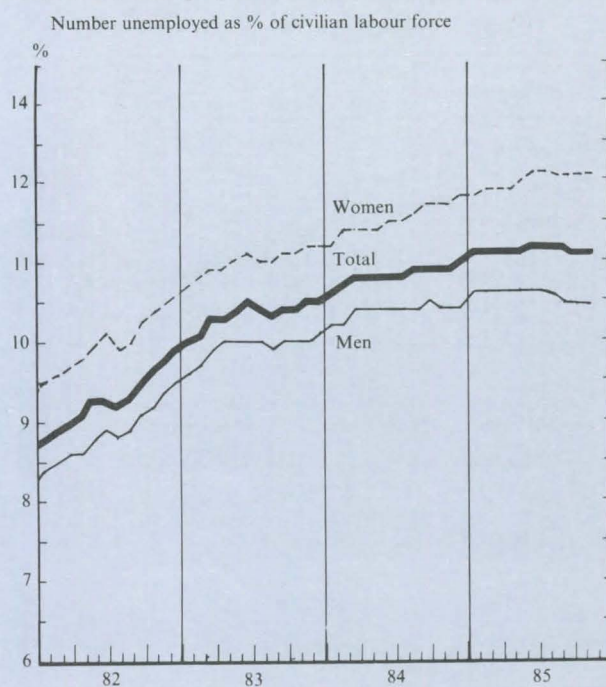
In the *United Kingdom* gross domestic product (expenditure-based measure) fell marginally in the third quarter ( $-0,6\%$ ) principally as a result of a fall back from the high foreign balance in the second quarter. Although imports continued to fall, exports dipped substantially ( $-14,1\%$  s.a.a.r.) with the result that the overall contribution of the foreign balance to GDP growth was negative ( $-2,5$  percentage points). While the change in stocks reduced growth, all other components of domestic demand were buoyant. Gross fixed investment grew by  $7,7\%$  after the irregular pattern in the first half of the year influenced by the timing of investment projects ahead of the reduction in first year capital allowances in April. The output-based measure of growth showed a small increase ( $1,1\%$ ), as an increase in the output of service industries more than compensated for a slight fall in that of production industries.

**Industrial production growing moderately.** — The available results for October 1985 indicate a continuation of the moderate expansion in industrial production in EUR10: in September the EUR10 index of industrial production (seasonally adjusted) rose by  $0,3\%$ . It is now  $3,0\%$  above the previous year's level as compared to  $1,9\%$  in the USA and  $1,8\%$  in Japan. Among the member countries strong growth continued in Denmark ( $+4,1\%$  in October) and in Germany ( $+2,9\%$ ), whereas in the Netherlands ( $+1,0\%$ ) and France ( $+0,8\%$ ) the monthly increases were more moderate. Although some caution is required in the interpretation of the monthly results due to the varying degree by which seasonal influences are netted out, the comparison between the third quarter 1985 and the same period in 1984 is less influenced by this problem. On the basis of the latter comparison it can be more clearly seen that in Denmark ( $+6,8\%$ ), Greece ( $+5,8\%$ ), the United Kingdom ( $+5,3\%$ ) and Germany ( $+5,2\%$ ) industrial production has expanded significantly over the last twelve months. Luxembourg ( $+3,3\%$ ), Belgium ( $+0,8\%$ ) and Ireland ( $+0,4\%$ ) experienced somewhat weaker growth, while industrial output has been more or less unchanged in France, Italy and the Netherlands.

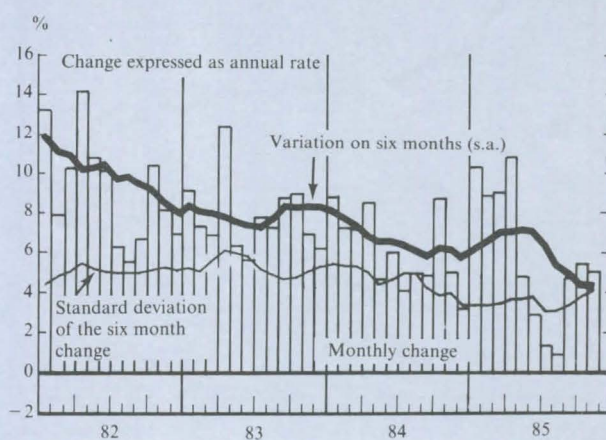
**Unemployment falls.** — The fall in unemployment in the Community continued in November 1985. Seasonally adjusted, the number of registered unemployed in EUR9 decreased by  $0,2\%$  in November on the previous month; the improvement since August in unemployment now adds up to  $1,0\%$ . The number of unemployed, however, still remains  $1,6\%$  above the November 1984 level. The rate for EUR9 (s.a.) at  $11,1\%$  is the same as that in the preceding two months. In several member countries the rate of unemployment has continued to come down significantly (Belgium, Denmark, Luxembourg and the Netherlands), while in others the improvement is still rather small (Germany, France, Ireland and the United Kingdom). Italy, on the other hand, as the figures for October (revised) and November indicate, is still confronted with a rising level of unemployment.

**Inflation trend still declining.** — The index of consumer prices in the Community (EUR12) increased by  $0,4\%$  in November after the  $0,5\%$  rise registered in October. On a seasonally adjusted basis, the rate in November ( $0,4\%$ ) was marginally higher than a month earlier ( $0,3\%$ ). However, both figures were considerably less than the average monthly rise in the first half of the year ( $0,6\%$ ). The trend rate of inflation in the Community, measured as the seasonally adjusted annual rate over six months, which had been  $7,1\%$  in June, decelerated further to  $4,2\%$  principally as a result of a continued slowdown in inflation trends in Denmark, France, the Netherlands, Ireland and the United Kingdom. In Portugal there has been a marginal increase in the trend rate over the past two months after the steep decline during the summer, while in Greece the trend has increased sharply since August. In the remaining countries there was a marginal rise in the trend rate in November. The degree of divergence in price changes within the Community, measured as the weighted standard deviation of inflation trends in each country, continued to widen as the Greek figure moved further away from the Community average. The index of consumer prices in the Community in November was  $5,6\%$  higher than a

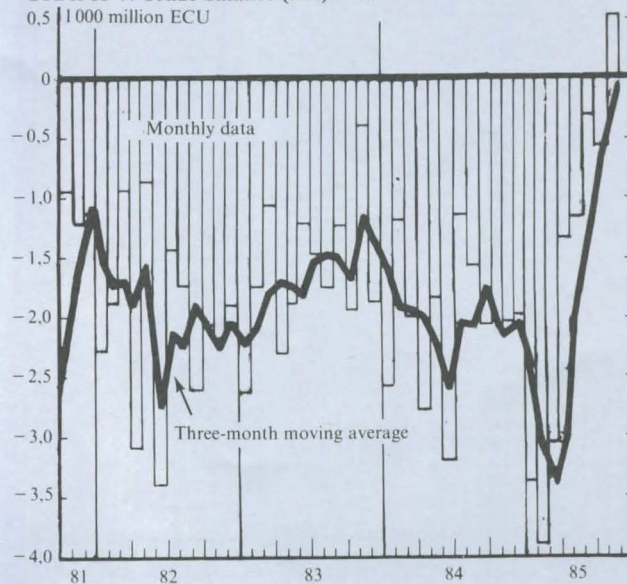
GRAPH 2: Unemployment (s.a.), EUR 9



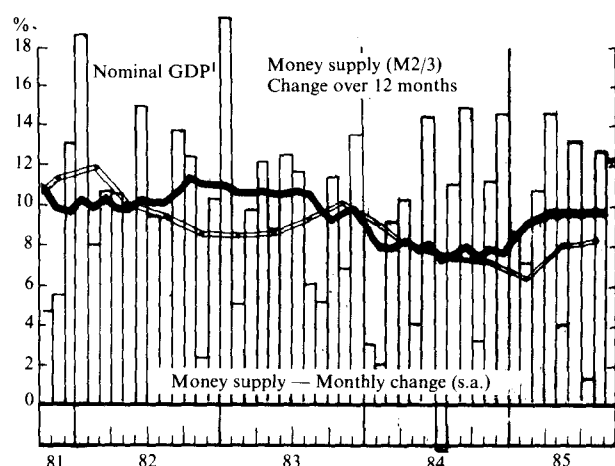
GRAPH 3: Consumer prices EUR 12



GRAPH 4: Trade balance (s.a.) EUR 10

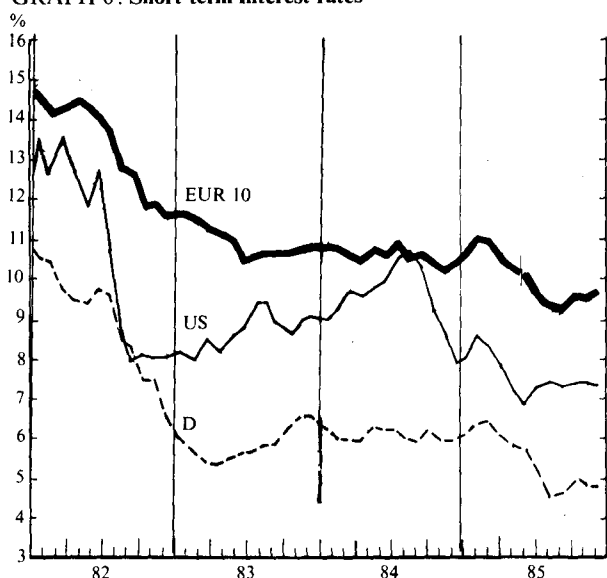


GRAPH 5: Money supply (EUR 10) and nominal GDP (EUR 4)

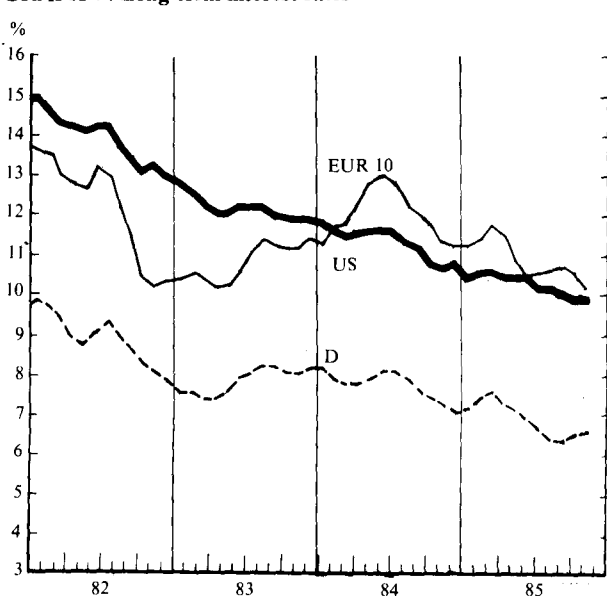


<sup>1</sup> Change over the same quarter of previous year.

GRAPH 6: Short-term interest rates



GRAPH 7: Long-term interest rates



year earlier with changes over twelve months ranging from 1,8% in Germany and the Netherlands to 22,7% in Greece. For the remaining Member States only Portugal (16%) recorded an annual increase in excess of 9%.

**Visible trade surplus for the first time in the eighties.** — The gradual improvement in the trade deficit that began in the early spring of 1985 led in September to a visible trade surplus of 589 million ECUS, an unprecedented event in the eighties. On a month-to-month basis, September saw the sharpest improvement in many years. This result stemmed primarily from an increase in exports, although the latter fell clearly short of the record levels registered in May and July. Imports in September reached a yearly low.

The move towards surplus (fob/cif) was seen in all Member States with the exception of France, where the monthly deficit widened again after a strong improvement in August, and Ireland, where the surplus was somewhat less than a month earlier. The main contributions to the EUR10 trade performance were from Germany, where the third quarter surplus exceeded that of 1984 by almost 50 percent, and in Italy, where following a first half-year of deteriorating imbalances, a strong reduction in monthly trade deficits has taken place since July. It should be noted that the inclusion of Spain and Portugal in the Community aggregate is likely to cancel out the small surplus recorded in EUR10 since both these countries have registered deficits in the latest months for which data is available.

**Average monetary growth remains stable in September.** — As a Community average, money supply increased by 1% (EUR10 — s.a. data) in September, i.e. at the same rate as in August. For the third quarter as a whole, the increase comes to 2,1%, slightly down on the second quarter figure (2,6%). In Belgium, monetary expansion continued to moderate, standing at 0,8% in the third quarter compared with 1,1% in the second and 3,2% in the first. The monthly figures available for October show that money supply remained stable in Denmark, and that monetary growth was down in France and the United Kingdom, unchanged in Germany, and rising in Greece, Italy and Ireland; in Ireland, the increase in the money supply comes after a fall in September. In Spain monetary growth is tending to slow down: whereas  $M_2$  grew by 3,5% in the three summer months of 1984 and by 3% in the next three months, monetary growth moderated in 1985 (2,6% in the first quarter, 2,7% in the second) and reached only 0,1% between the end of June and the end of September.

**Short-term interest rates move up.** — In December, the cost of short-term money turned upwards on the money markets of six Member States, chiefly as a result of certain strains on the foreign exchange markets. In Belgium, the one percentage point increase in the discount rate on 20 December led to a 1,2 percentage point increase in the yield on Securities Stabilization Fund (Fonds des rentes) certificates; in Ireland, the three-month interbank rate rose by 1,3 percentage points to stand at 11,7%. In four other Member States, Denmark, France, Italy and the United Kingdom, the rise in short-term rates was limited to a few tenths of a percentage point. In Germany, the cost of short-term money remained stable at 4,8% while it lost one-tenth of a point in the Netherlands and in Greece fell back from 19,5% in November to 17,9% in December. All in all, short-term interest rates in the Community (EUR10) averaged 9,7% compared with 9,4% in November, bringing them back to their July 1985 level. In November, the average Community (EUR10) yield on long-term public sector securities remained stable at 9,9%; long-term rates rose in only three Member States, Germany, Ireland and Italy.

**Continued strengthening of the ECU.** — The weakening of the US Dollar vis-à-vis the ECU, begun in September, continued in December. In that month the American currency was 21,3% lower than in December 1984. After depreciating for four months against the Yen, the ECU gained ground last month. As a result, the ECU/Yen rate was broadly unchanged in December on a year earlier, interrupting the pronounced appreci-

ation of the Yen observed in 1983 and 1984. The ECU also reinforced its position vis-à-vis Sterling. In the first quarter of 1985, the Pound underwent a sizeable depreciation relative to the ECU and the Dollar, which was fully reversed in the Spring. Since July it has weakened by 7,9% relative to the ECU. The economic adjustment package adopted by Greece gave the Drachma the opportunity to steady after depreciating considerably during the two previous months. Some turbulence was experienced within the exchange rate mechanism of the EMS. Primarily the Belgian Franc and, to a lesser extent, the French Franc came under pressure. Both countries took measures to stem the incipient depreciation against the Deutschmark and

the Guilder, which was bolstered by a strong foreign demand for German and Dutch financial assets. Spain and Portugal joined the European Community at a time when the depreciation of their respective currencies vis-à-vis the ECU had speeded up. When annual averages are taken, the Peseta lost 2% in the course of last year and the Escudo 12%. Compared to the situation twelve months earlier, the depreciation amounted in December 1985 to 10,1% and 16,7% respectively.

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TABLE A.1: Industrial production (a) -- Percentage change on preceding period (s.a.)

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months % (b)
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B	-1.3	-2.7	0	2.0	2.5	1.7	-0.5	0.1	1.5	-0.4	-4.0	1.2	4.4	-4.3	-1.2	4.9	:	1.1
DK	0.2	0	2.7	3.2	9.7	2.4	5.1	-5.8	2.8	5.0	7.4	9.2	-2.8	1.9	2.0	1.8	4.1	6.9
D	0.2	-1.9	-2.9	0.6	3.0	6.1	1.5	0.4	1.2	1.9	-0.1	0.9	1.6	2.2	-3.0	0.5	2.9	5.2
GR	0.9	-0.6	-4.2	-0.7	3.5	0.4	0	-1.4	1.8	5.4	0.2	5.7	-2.0	6.2	-3.3	3.0	:	6.3
E	1.4	-2.4	-1.2	2.6	0.7	0.6	0.1	1.5	-1.3	:	1.9	0.7	-3.7	4.8	-1.6	:	:	-2.0
F	-0.7	-2.3	-1.5	0.8	2.3	3.1	-2.5	-0.8	1.0	1.8	-2.2	1.5	-0.8	2.3	0	-1.5	0.8	0
IRL	-0.8	2.2	0.3	6.5	12.9	-2.8	5.7	-0.3	-1.4	-3.4	-5.9	0.8	-3.7	-2.2	0.8	1.3	:	-2.7
I	5.5	1.6	-3.0	-3.2	3.1	1.8	-1.8	1.8	0.3	-0.7	-4.3	1.3	2.8	-3.8	0.4	2.2	-1.7	-0.9
L	-3.3	-5.7	0.9	5.4	13.3	3.0	3.1	0.5	2.4	-2.5	0.4	-3.8	3.5	-2.1	-1.7	-1.0	:	-0.8
NL	-1.0	-2.0	-4.1	2.1	5.2	0.7	-2.0	6.7	-3.1	-1.6	-5.6	2.0	1.9	-3.8	2.0	-2.9	1.0	2.0
P	5.4	0.5	4.6	1.6	-0.1	2.0	0.8	-1.5	4.4	:	3.2	0.8	-1.5	-1.3	-0.1	:	:	1.7
UK	-6.6	-3.4	1.9	3.6	1.2	0	1.1	2.4	2.1	-0.4	0.9	0	0.1	-1.2	0.3	1.7	-0.3	5.9
EUR10	-0.5	-2.3	-1.5	0.9	2.8	2.3	0.4	0.6	0.9	0.9	-0.9	0.9	0.9	0	-0.4	0.6	(0.3)	(3.0)
USA	-2.9	2.1	-7.4	7.8	12.4	1.8	0.1	0.2	0.5	(0.8)	0.3	0	0.1	0.2	(0.9)	(-0.2)	(0)	(1.9)
JAP	4.7	1.0	0.3	3.6	11.1	1.6	2.7	-0.7	2.7	-0.1	2.8	2.4	-2.0	1.7	-1.3	(-1.1)	(1.3)	(1.8)

TABLE A.2: Unemployment rate -- Number of unemployed as percentage of civilian labour force (s.a.)

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months % (b)
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
B(f)	9.1	11.1	13.0	14.3	14.4	14.4	14.4	14.4	13.7	13.0	13.8	13.4	13.1	13.0	12.9	12.8	12.6	:
DK	6.7	8.9	9.5	10.2	9.8	9.9	9.4	9.4	8.8	(8.6)	8.9	8.8	9.0	8.5	(8.3)	(8.1)	(7.9)	(-15.0)
D	3.4	4.8	6.9	8.4	8.4	8.4	8.2	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.4	8.4	1.0
F	6.4	7.7	8.7	8.8	9.9	10.0	10.4	10.5	10.4	10.4	10.4	10.4	10.4	10.5	10.3	10.3	10.3	-1.2
IRL	8.2	10.2	12.2	14.9	16.5	16.6	16.7	17.2	17.4	17.9	17.3	17.6	17.8	18.0	17.9	17.6	17.6	5.3
I	7.2	8.0	9.7	10.9	11.9	11.9	12.1	12.4	12.8	13.0	12.6	13.0	12.9	12.9	13.0	13.2	13.3	9.5
L	0.7	1.0	1.3	1.6	1.7	1.7	1.6	1.6	1.7	1.6	1.7	1.7	1.6	1.6	1.6	1.5	1.5	-7.8
NL(f)	6.2	8.8	11.8	14.3	14.5	14.4	13.8	13.5	13.2	13.1	13.3	13.0	13.1	13.2	13.0	12.8	12.7	:
UK	(6.0)	(9.2)	(10.6)	(11.6)	11.8	11.8	11.9	12.0	12.2	12.2	12.2	12.2	12.2	12.2	12.1	12.1	12.0	1.1
EUR9	(5.8)	(7.7)	(9.3)	(10.4)	10.9	10.9	10.9	11.1	11.2	(11.2)	11.1	11.2	11.2	11.2	(11.1)	(11.1)	(11.1)	(1.1)
USA	7.1	7.6	9.7	9.6	7.5	7.5	7.2	7.3	7.3	7.1	7.3	7.3	7.0	7.1	7.1	7.1	:	-0.9
JAP(g)	2.0	2.2	2.4	2.7	2.7	2.8	2.7	2.5	2.5	2.6	2.5	2.6	2.6	2.6	2.7	2.8	:	0

TABLE A.3: Consumer price index -- Percentage change on preceding period

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months % (b)
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
B	6.6	7.6	8.7	7.7	6.4	1.2	0.9	1.8	1.3	0.7	0.1	0	0.5	0	0.2	-0.1	0.2	4.2
DK	12.4	11.7	10.1	6.9	6.3	1.0	1.4	1.3	1.5	-0.1	0.7	0	-0.4	-0.1	0.5	0.3	(0.3)	(3.3)
D	5.4	6.3	5.3	3.3	2.4	0	0.7	1.1	0.6	-0.2	0.1	0.1	-0.2	-0.3	0.2	0.2	0.2	1.8
GR	24.9	24.5	21.0	20.5	18.3	1.7	5.5	4.5	4.5	2.6	0.7	1.8	-0.7	0.3	5.0	3.3	2.5	22.7
E	15.6	14.6	14.4	12.2	11.3	2.7	1.5	3.2	1.9	1.1	0.3	-0.2	0.6	0.2	1.1	0.5	0.8	8.5
F	13.6	13.4	11.8	9.6	7.3	1.7	1.4	1.4	1.8	0.9	0.5	0.4	0.4	0.1	0.1	0.3	(0.2)	(4.8)
IRL(h)	18.2	20.4	17.2	10.4	8.6	1.2	0.7	1.9	1.3	1.5	(0.4)	(0.5)	(0.5)	(0.5)	(0.1)	(0.1)	(0.1)	4.9
I	21.2	17.8	16.5	14.7	10.8	1.4	2.4	2.9	2.4	1.2	0.7	0.5	0.2	0.3	0.5	1.0	(0.7)	(8.8)
L	6.3	8.1	9.4	8.7	5.6	0.6	1.1	1.0	1.6	0.5	0.1	0.2	0.5	-0.4	0	0.8	0.2	4.0
NL	7.0	6.7	5.7	2.7	3.2	0.1	1.1	0.2	1.0	0	0.1	-0.1	-0.2	0	0.5	0.3	(0)	(1.8)
P	16.8	20.0	22.7	25.1	28.1	6.0	3.1	8.0	3.4	1.1	0.3	0.1	0.3	0.8	0.1	1.0	(1.6)	(16.0)
UK	18.0	11.9	8.6	4.6	5.0	0.9	1.2	1.3	3.4	0.3	0.5	0.2	-0.2	0.3	-0.1	0.2	0.3	5.5
EUR12	(13.8)	12.1	10.7	8.3	7.2	1.2	1.5	1.9	1.9	0.6	0.4	0.2	0.1	0.1	0.4	0.5	(0.4)	(5.6)
USA	13.5	10.3	6.2	3.2	4.3	1.1	0.7	0.7	1.2	0.7	0.4	0.3	0.2	0.2	0.2	0.3	0.3	3.6
JAP	8.0	4.9	2.7	1.9	2.2	-0.2	1.2	0.1	0.9	0	0.4	0.1	0.1	-1.0	1.0	1.4	-0.9	1.9

TABLE A.4: Visible trade balance - fob/cif, million ECU (s.a.)

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months % (b)
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B/L	-4993	-5418	-3082	-2435	-4897	-1478	-1306	-1501	-581	-378	-375	-114	-93	-191	-111	-77	:	552
DK	-2116	-1475	-1866	-740	-1108	-188	-204	-494	-306	-283	-160	-216	69	-155	-110	-18	(-187)	(-52)
D	3615	11239	21599	18501	24136	5614	8377	6589	8631	8278	2707	3125	2799	3276	2413	3040	(3236)	(21)
GR	-3853	-3951	-5826	-5800	-6048	-1146	-2073	-1727	-2341	-1621	-468	-984	-890	-467	-590	-565	:	-386
E	-9597	-10531	-11202	-10545	-6730	-2040	-1803	-2146	-2335	:	-826	-664	-845	:	:	:	:	-636
F	-16948	17283	-24457	-15628	-13130	-2450	-2736	-3810	-3028	-3535	-1277	-1240	-511	-1471	-993	-1070	-1029	245
IRL	-1893	-2467	-1574	-621	81	26	-32	195	56	140	-109	28	136	20	79	41	(75)	(107)
I	-15307	-13554	-12513	-8516	-13849	-2230	-5148	-5505	-5911	-1588	-2046	-1763	-2102	-738	-609	241	:	680
NL	-2981	1320	3500	4499	4740	589	1419	492	1234	944	670	182	383	470	219	255	:	152
P	-3409	-5308	-5963	-4226	-3430	-880	-806	-627	-718	:	-131	-323	-265	-179	-204	:	:	107
UK	-3353	-445	-3295	-9681	-14005	-3876	-3930	-4514	-2272	-2494	-1074	-238	-960	-943	-779	-772	(-593)	(-334)
EUR10(j)	-47829	-32033	-27515	-20422	-24080	-5221	-6016	-10258	-4681	:	-2211	-1326	-1144	-224	-546	589	:	2650
USA	-26113	-35538	-43518	-77969	-56288	-46099	-38116	-47958	-52238	-45831	-16345	-17591	-18302	-13612	-12410	-19809	-13683	-425
JAP	-7707	7832	7034	23072	42599	9698	14810	13114	14354	14625	3974	5126	5254	4790	5132	4703	:	107

TABLE A.5: Money Stock (k) -- Percentage change on preceding period (s.a.)

	1984																		1985																		Change over 12 months %(b)
	1984																		1985																		
	1980	1981	1982	1983	1984	III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.																				
B (M2)	2.6	5.8	5.7	8.7	5.7	1.4	0.2	3.2	1.1	0.8	:	:	:	:	:	:	:	5.4																			
DK (M2)	8.1	9.6	11.5	25.5	17.8	3.4	6.2	-0.8	4.1	4.2	0.8	1.7	1.2	2.0	1.0	0	0.1	9.8																			
D (M3)	6.2	5.0	7.1	5.3	4.7	1.5	1.4	1.0	1.4	0.7	0.2	0.8	0	0.3	0.4	0.4	0.1	4.4																			
GR (M3)	24.7	34.7	29.0	20.3	29.4	5.8	8.9	5.7	(7.9)	(6.1)	3.5	(1.3)	(2.2)	(2.3)	(1.4)	(1.5)	:	(29.3)																			
E (M2)	16.1	15.6	15.3	12.8	12.8	3.5	3.0	2.6	2.7	0.1	2.2	1.0	-0.2	-0.1	0.2	:	:	8.2																			
F (M2R)	8.4	10.4	10.8	11.2	8.3	1.5	2.6	1.5	1.3	(2.5)	0.8	1.7	-0.1	1.0	1.6	0.5	:	(8.8)																			
IRL (M3)	17.7	17.4	13.0	5.6	10.1	2.9	3.8	-0.4	1.3	1.7	0.6	-1.3	0.7	1.6	-0.5	1.2	1.8	7.7																			
I (M2)	12.7	9.9	16.9	13.3	12.1	3.4	2.9	4.3	3.0	2.7	1.8	0	1.2	1.1	0.4	0.7	:	13.1																			
NL (M2)	3.8	5.3	7.6	10.4	7.7	2.6	1.0	3.7	-0.4	1.9	-0.9	-0.4	0.3	1.2	0.5	:	:	6.3																			
UK (LM3)	18.5	13.7	8.9	10.3	9.8	1.3	3.0	2.2	5.8	2.9	0.5	2.3	-0.8	1.9	1.8	0.9	2.0	14.6																			
EUR10(l)	10.4	9.4	10.4	10.1	8.5	1.9	2.4	2.2	(2.6)	(2.1)	0.3	(1.0)	(0.1)	(1.0)	(1.0)	:	:	(9.5)																			
USA (M2)	8.9	10.0	9.4	11.7	8.2	1.7	2.7	2.4	1.8	2.2	0.7	1.1	0.7	0.9	0.6	0.2	:	9.2																			
JAP (M2)	7.2	11.0	7.9	7.3	7.8	3.1	0.8	3.5	1.4	1.0	0.5	1.6	-0.3	0.7	0.5	:	:	7.0																			



TABLE A.6: Short-term interest rates (m)

						1984	1985					1985							Change
	1981	1982	1983	1984	1985													over	
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	12 months %(c)	
B	15.6	14.1	10.5	11.5	9.6	10.7	10.7	8.9	9.4	9.8	8.9	8.9	9.6	9.4	8.9	8.6	9.8	-0.9	
DK	14.9	16.4	12.1	11.5	10.0	12.0	12.0	10.3	9.4	9.5	10.3	9.5	9.3	9.4	10.0	9.3	9.5	-2.5	
D	12.3	8.8	5.8	6.0	5.4	5.8	6.3	5.7	4.7	4.8	5.7	5.1	4.6	4.7	5.0	4.8	4.8	-1.0	
GR	16.8	20.2	19.4	15.7	17.1	16.8	19.3	16.6	16.5	17.9	16.6	16.4	17.9	16.5	17.3	19.5	17.9	1.1	
E	16.2	16.3	20.1	14.9	:	12.2	12.1	14.2	11.5	:	14.2	14.2	13.4	11.5	10.4	10.5	:	-1.4	
F	15.6	14.6	12.5	11.7	9.9	10.8	10.7	10.2	9.5	9.1	10.2	9.9	9.7	9.5	9.3	8.8	9.1	-1.7	
IRL	16.6	17.5	14.1	13.3	11.9	15.0	13.9	11.6	10.1	11.7	11.6	10.2	10.3	10.1	10.1	10.4	11.7	-3.3	
I	20.0	20.1	18.1	17.2	15.1	17.0	15.6	15.1	14.1	14.9	15.1	14.6	14.2	14.1	14.8	14.6	14.9	-2.1	
NL	11.8	8.3	5.7	6.1	6.4	5.7	6.9	6.7	5.8	5.8	6.7	6.1	5.7	5.8	6.2	5.9	5.8	0.1	
UK	14.2	12.2	10.1	10.1	12.3	10.0	13.2	12.6	11.5	11.9	12.6	11.2	11.7	11.5	11.6	11.6	11.9	1.9	
EUR10(n)	15.0	13.2	10.8	10.5	10.1	10.2	10.8	10.1	9.3	9.7	10.1	9.5	9.4	9.3	9.5	9.4	9.7	-0.5	
USA	14.0	10.6	8.7	9.5	7.0	7.8	8.2	6.8	7.3	7.3	6.8	7.3	7.4	7.3	7.4	7.4	7.3	-0.5	
JAP	7.4	6.9	6.4	6.1	6.6	6.3	6.3	6.3	6.4	7.7	6.3	6.3	6.4	6.4	7.8	7.9	7.7	1.4	

TABLE A.7: Long-term interest rates (o)

						1984		1985			1985							Change over 12 months %(e)
	1980	1981	1982	1983	1984			I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
						III	IV											
B	12.2	13.8	13.5	11.8	12.0	11.9	11.6	11.5	10.3	10.4	10.8	10.3	10.5	10.5	10.4	9.7	9.4	-2.1
DK	18.7	19.3	20.5	14.4	14.0	14.6	14.0	13.0	11.8	11.1	11.8	11.8	10.6	10.5	11.1	10.7	10.5	-3.7
D	8.5	10.4	9.0	7.9	7.8	7.6	7.0	7.6	6.9	6.3	7.1	6.9	6.7	6.4	6.3	6.5	6.6	-0.6
GR	17.1	17.7	15.4	18.2	18.5	16.4	17.9	18.4	17.8	14.2	15.6	17.8	14.4	14.0	14.2	14.0	13.1	3.3
E	16.0	15.8	16.0	16.9	16.5	16.4	13.9	13.5	13.8	13.9	13.6	13.8	14.5	14.4	13.9	12.6	12.1	-2.9
F	13.7	16.3	16.0	14.4	13.4	13.1	12.7	12.3	12.1	12.0	11.7	12.1	11.9	12.0	12.0	11.7	11.2	-1.2
IRL	15.4	17.2	17.0	13.9	14.6	15.0	14.9	13.6	12.4	11.9	13.2	12.4	11.2	11.7	11.9	11.8	12.1	-3.2
I	16.1	20.6	20.9	18.0	14.9	14.5	13.9	12.8	13.3	13.0	13.4	13.3	13.3	13.5	13.0	12.8	13.0	-1.4
L	7.4	8.6	10.4	9.8	10.3	10.4	10.0	9.7	9.6	9.3	9.7	9.6	9.4	9.4	9.3	9.3	9.3	-1.0
NL	10.7	12.2	10.5	8.8	8.6	8.4	7.8	8.6	7.8	7.4	7.9	7.8	7.7	7.3	7.4	7.7	7.6	-0.2
P	16.7	16.7	16.8	19.3	21.5	21.1	22.2	20.2	22.2	:	21.8	22.2	20.3	:	:	:	:	-0.9
UK	13.9	14.8	12.7	10.8	10.8	10.6	10.8	10.7	10.7	10.3	10.8	10.7	10.3	10.4	10.3	10.3	10.3	0
EUR10(n)	12.7	14.9	14.0	12.2	11.4	11.1	10.8	10.7	10.4	10.0	10.4	10.4	10.1	10.1	10.0	9.9	9.9	-0.8
USA	10.8	12.9	12.2	10.8	12.0	12.0	11.2	11.8	10.4	10.7	10.9	10.4	10.5	10.6	10.7	10.6	10.1	-1.2
JAP	9.2	8.7	8.1	7.4	6.3	6.8	6.3	6.6	6.3	5.9	6.4	6.3	6.3	6.1	5.9	6.7	:	0.1

TABLE A.8: Value of ECU — 1 ECU = ... units of national currency or SDR

	1981	1982	1983	1984	1985	1984	1985				1985					Change over 12 months %(b)		
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.		Nov.	Dec.
BFR/LFR	41.29	44.68	45.44	45.44	44.91	45.01	44.66	45.12	45.13	44.74	45.23	45.30	45.05	45.04	44.82	44.67	44.73	-0.2
DKR	7.92	8.15	8.13	8.15	8.02	8.04	7.96	8.05	8.07	7.99	8.06	8.08	8.06	8.07	8.02	7.99	7.96	-0.5
DM	2.51	2.38	2.27	2.24	2.23	2.23	2.23	2.24	2.23	2.20	2.25	2.25	2.23	2.23	2.21	2.21	2.19	-1.7
DR	61.62	65.30	78.09	88.44	105.7	91.57	91.97	98.47	104.5	127.7	99.44	101.7	104.9	106.9	122.1	130.0	130.9	43.3
PTA	102.7	107.6	127.5	126.6	129.1	124.7	123.1	126.4	131.0	135.8	128.0	129.7	130.9	132.4	135.2	135.9	136.2	10.1
FF	6.04	6.43	6.77	6.87	6.80	6.84	6.81	6.83	6.81	6.73	6.84	6.84	6.80	6.79	6.74	6.73	6.71	-1.8
IRL	0.691	0.690	0.715	0.726	0.715	0.719	0.715	0.716	0.716	0.714	0.717	0.718	0.715	0.716	0.715	0.714	0.712	-0.4
LIT	1263	1324	1350	1381	1447	1382	1382	1430	1484	1494	1432	1466	1493	1493	1493	1492	1496	8.8
HFL	2.78	2.62	2.54	2.52	2.51	2.52	2.52	2.53	2.51	2.48	2.53	2.53	2.50	2.50	2.49	2.49	2.47	-1.9
ESC	68.5	78.0	98.7	116.3	130.2	119.8	122.4	127.2	132.8	138.4	128.5	130.7	132.9	134.9	137.2	138.1	139.8	16.7
UKL	0.553	0.561	0.587	0.591	0.589	0.601	0.614	0.578	0.570	0.595	0.572	0.560	0.576	0.576	0.588	0.592	0.604	-0.3
USD	1.116	0.981	0.890	0.789	0.762	0.731	0.684	0.726	0.785	0.853	0.733	0.772	0.798	0.785	0.837	0.852	0.873	21.3
YEN	245.4	243.5	211.4	187.0	180.5	179.8	176.1	182.0	187.0	176.8	182.4	186.3	189.3	185.5	179.6	173.8	177.0	-0.7
DTS	0.946	0.888	0.833	0.767	0.749	0.732	0.707	0.732	0.764	0.791	0.735	0.757	0.772	0.763	0.785	0.788	0.801	11.3

TABLE A.9: Effective exchange rates: export aspect (p) — Percentage change on preceding period

	1981	1982	1983	1984	1985	1984				1985				1985				Change over 12 months % (b)
						IV	I	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
B/L	-5.8	-9.2	-2.8	-2.1	0.7	-0.3	0.1	0	1.0	1.6	-0.1	0.5	0.9	-0.2	1.0	0.4	0.3	2.9
DK	-7.5	-4.4	-0.6	-3.2	0.8	0.4	0.3	0	1.1	2.4	0.2	0.5	1.1	-0.5	1.6	0.5	1.1	4.4
D	-5.6	5.0	4.0	-1.3	-0.2	-0.9	-0.7	1.0	2.1	2.9	0.2	0.9	2.0	-0.4	1.8	0.3	1.5	7.0
GR	-10.2	-8.0	-18.0	-14.0	-12.5	-4.2	-1.5	-4.9	-4.0	-17.2	-0.3	-1.0	-2.3	-2.3	-11.7	-6.0	0	-27.0
E	-9.6	-6.0	-17.2	-2.2	-0.6	0.4	0.3	-0.9	-1.8	-2.2	-1.0	-0.2	-0.1	-1.5	-1.1	-0.3	0.5	-4.8
F	-8.8	-8.3	-7.2	-4.6	0.5	-0.8	-0.4	1.3	2.3	2.9	0.3	1.2	1.6	-0.2	1.8	0.4	1.1	7.5
IRL	-8.7	-1.1	-4.1	-4.0	0.6	0.4	0.1	-0.2	1.1	2.6	0	0.3	1.7	-0.5	1.7	0.4	1.3	4.4
I	-12.4	-6.9	-3.8	-5.4	-6.2	-1.5	-1.1	-1.9	-2.3	0.8	0.2	-1.4	-1.2	-0.4	1.1	0.3	0.4	-4.2
NL	-4.3	5.1	2.1	-1.4	-0.2	-0.6	-0.8	0.7	1.9	2.3	0.3	0.7	1.7	-0.2	1.2	0.4	1.3	5.5
P	-3.8	-12.9	-21.1	-17.1	-10.9	-3.1	-2.9	-2.6	-2.9	-2.7	-0.7	-0.9	-0.9	-1.8	-0.7	-0.5	0.5	-10.8
UK	0.2	-4.4	-6.9	-4.6	0.2	-3.4	-3.6	9.1	3.6	-2.7	1.6	3.8	-2.0	-0.4	-1.0	-0.3	-1.3	6.5
ECU	-14.7	-5.8	-5.8	-8.0	-2.2	-3.3	-2.7	4.4	4.1	2.9	1.1	2.6	1.8	-1.0	2.2	0.3	1.7	11.2
USA	12.8	12.0	5.7	8.0	4.9	3.2	6.2	-3.4	-5.7	-6.8	-1.3	-4.0	-2.2	1.3	-5.4	-1.7	-1.3	-12.2
JAP	13.6	-5.0	10.8	6.2	1.4	1.2	-0.6	0.4	1.1	11.0	0.3	0.3	0.2	1.4	6.8	4.6	-0.4	13.3

Source: for Community countries: Eurostat, unless otherwise specified; for the USA and Japan: national sources.

(a) National sources, except for the Community, Denmark, Ireland, Belgium and Luxembourg. Because of differences in methods of seasonal adjustment, the change in the EC index, adjusted by Eurostat and given in Table 1 may differ from the change in the EC index obtained by aggregating national indices. Data are adjusted for working days. They do not include building; data for France do not include food products and drinks.

(b) % change over 12 months on the basis of the non-adjusted nominal series of the most recent figure given.

(c) Change on corresponding month in previous year; seasonally adjusted.

(d) Change over 12 months in seasonally adjusted figures of the most recent figure given for each country.

(e)

## Principal economic policy measures — December 1985

### Community (EUR 10)

2-3.12 The European Council, meeting in Luxembourg, examined the economic and social situation in the Community. It stressed the importance of the progress already made by the European economies in significantly reducing its energy dependence and modernising its traditional industries, while maintaining a high degree of openness to international competition.

For the future, the Council reaffirmed that the achievement of the large internal market by 1992 and increased technological cooperation in Europe will make it possible to lay the foundations for the European economies' international competitiveness and to meet the challenge of the third industrial revolution.

The European Council welcomed the very significant progress made towards rationalization and economic recovery, and the increased convergence of economic policies. It took note of the strategy of cooperation for growth and employment outlined by the Commission in its Annual Economic Report and called upon the Council (Economic and Financial Affairs) to examine, on that basis, the conditions for establishing non-inflationary growth leading to a substantial drop in unemployment.

9.12 The Council (Economic and Financial Affairs) approved the Annual Economic Report for 1985/1986 as amended further to the proceedings of the Coordinating Group for Economic and Financial Policies; the Council's approval covered the policy guidelines to be followed by the Community and the general economic policy guidelines to be followed by each Member State in 1986.

### Belgium (B)

10.12 The new Government obtains Parliament's confidence for its programme. It gives absolute priority to the policy of social and economic recovery, the main points of which are the following:

*Maintaining competitiveness.* In 1986 this will be achieved by measures to reduce the cost of labour if it exceeds the norm. For the period 1987-89, the Government will encourage employers and unions to conclude an agreement covering all economic sectors and maintaining wage competitiveness; if this is not achieved, the Government will use its powers to set a new statutory norm and a restrictive framework for wage agreements.

*Correcting the public finance situation.* The Treasury borrowing requirement will be cut to 8% in 1987 and 7% in 1989; the intention is to achieve this without increasing taxes or social security contributions.

*Employment.* The Government sets itself the objective of reducing youth unemployment by 50 000 units (i.e. approximately 25%) in four years. Employers taking on young people will qualify for a temporary reduction in their social security contributions.

*Specific or sectoral measures.* Between now and 1 May 1986, a scheme for the long-term support of the construction industry will replace the provisional support measures (lower rate of VAT, etc.). Taxation will be used to encourage saving for additional pensions.

23.12 Because of the strains on the foreign exchange market, the central bank raises the discount rate from 8.75 to 9.75% and the rate for advances from 9 to 10.25%.

### Denmark (DK)

12.12 Parliament adopts the budget for 1986, which implies a 4.9% rise in annual revenue to DKR 225.9 billion, a 0.9% fall in total expenditure to DKR 185.4 billion and a fall in interest payments on the government debt to DKR 55.0 billion. The central government deficit (i.e. on current, investment, and lending accounts) should be reduced to DKR 14.5 billion (2.3% of GDP) in 1986 against an estimated deficit of DKR 26.5 billion (4.2% of GDP) in 1985. The budget incorporates the policy adjustments adopted at the same time with a view to reduce domestic demand by some DKR 6 billion in 1986.

### Federal Republic of Germany (D)

12.12 The Bundestag approves the bill revising the law governing stimulation of employment (Arbeitsförderungsgesetz). The main features are:

- extension of the eligibility period for unemployment benefit;
- relaxation of the requirement on unemployed persons aged 58 years or more to be available for placement;
- reduction from 55 to 50 years of age ceiling for participation in the employment creation programme;
- reduction in unemployment insurance contribution by 0.1% to 4% in 1986 and 4.3% thereafter;
- improvement in vocational training schemes including enlargement of schemes involving part-time training and of schemes geared towards first time job seekers; increase in payments to scheme participants.

19.12 The Bundesrat approves the Federal Budget 1986 bill. Federal Government expenditure should amount to DM 263.9 billion with a financial deficit of DM 23.7 billion.

19.12 The Central Council decides that central bank money stock should increase at a rate of between 3.5% and 5.5% from the fourth quarter of this year to the fourth quarter of 1986. In addition, the Council has announced its intention to reduce minimum reserve ratios on time liabilities and saving deposits and to largely abolish reserve requirements on foreign currency liabilities to non residents. On the other hand, bonds with maturities up to two years will in future be subject to reserve requirements. Furthermore, the Bundesbank will in future allow certificates of deposit denominated in DM.

### Greece (GR)

27.11 The central government's draft general budget for 1986, tabled in Parliament, is in line with the recently inaugurated austerity policy. It provides for a gross deficit of 10.6% of GDP, a cut of 2.5 percentage points from the figure for 1985. The projected 32.5% increase in revenue will come mainly from stepping up the fight against tax evasion, from the collection of arrears and from a special tax on the profits of enterprises and the professions. Even though tax allowances are to be increased, rates of tax are to remain the same, resulting in substantial fiscal drag. Budgetary expenditure will go up by 20.3% which is slightly less than the anticipated inflation rate. The growth rate of investment budget expenditure, in particular will slow down to 16%, whereas ordinary budget expenditure will go up by 22%. The budget increases spending on education, health and social welfare, but other types of spending, particularly on agriculture, are appreciably down. The draft budget also provides that the net borrowing requirement of public enterprises and public entities (including the social security fund), estimated at 3.5% of GDP in 1985, will fall to 2.1% in 1986.

28.11 The selling prices of seventeen categories of products are freed, but controls are retained on profit margins.

5.12 By decision of the Minister for Transport and Telecommunications, and within the framework of budgetary policy, the purpose of which is to limit the deficit of public enterprises and public entities, the prices of air, rail and bus transport, and postal and electricity charges are increased by between 16% and 25%.

17.12 The Minister for Economic Affairs announces the 'socialization' of seven public enterprises and entities, including Olympic Airways and the Post Office; this measure brings the number of 'socialized' enterprises and entities to ten.

### France (F)

4.12 The target range for money supply growth in 1986 is set at 3%-5%, which is below the growth rate forecast for value GDP.

4.12 The Government adopts the plan for financing the steel industry, allocating FF 20 000 million in public aid, in the form of government-guaranteed convertible bonds.

5.12 The Ministry for Economic Affairs and Finance allocates FF 12 000 million for low-interest loans to small and medium sized enterprises in 1986; this figure is well down on the FF 18 000 million envisaged for 1985.

5.12 The Minister for Economic Affairs, Finance and the Budget decides on a number of measures to relax exchange controls. They concern individuals, companies and financial transactions, now authorized on all types of operation.

6.12 The Treasury launches the year's fifth central government bond issue, for FF 25 000 million, bringing the total for 1985 to almost FF 100 000 million.

17.12 The decree authorizing enterprises other than credit institutions to issue 'billets de trésorerie' (the equivalent of certificates of deposit) is published in the official gazette.

17.12 The Government determines the rules for adjusting family allowances and social security benefits for 1986.

18.12 Parliament adopts the supplementary budget amending finance law—for 1985. The budget deficit stands at FF 149 600 million, 6.7% up on the forecast.

### Ireland (IRL)

18.12 The Government announces details of the public expenditure estimates for 1986. The main features are:

*Current expenditure.* Expenditure on non-capital supply services is planned to be IRL 5 698 million, up 5% in nominal terms (estimated 1% in real terms).

*Public Capital Programme (PCP).* Expenditure on the PCP, at IRL 1 706 million, represents an increase of 0.5% in nominal terms (estimated fall of 3.5% in real terms).

### Italy

5.12 The Banca d'Italia abolishes the upper limit on banks' net foreign debt, which was introduced by the Italian Exchange Office (Ufficio Italiano dei Cambi) on 20 July 1984 and which took as reference the situation at 30 June 1984.

7.12 The Minister for Finance increases personal income tax allowances and thresholds by 7% for 1985.

27.12 The Government adopts various decree laws permitting the immediate entry into force of certain provisions of the finance law for 1986, which has not yet been adopted by Parliament:

- increase in the rate of tax on the income of legal persons (ILOR), withdrawal of special reduction on railways fares, increase in public transport charges;
- introduction of a tax on service provided by the communes (TASCO) which should bring them LIT 2 800 000 million;
- partial budgetization of the social security contributions for the second half of 1985 and the determination of early retirement rules for the enterprises in question;
- six-monthly application of the indexation mechanism for pensions, and determination of procedures;
- shift from 1 January to 1 March of the entry into force of the new stage in the application to public bodies of the unified Treasury account.

### Luxembourg (L)

17.12 Parliament adopts the central government budget for 1986. Total gross revenue is estimated at LFR 78 600 million, while authorized gross expenditure amounts to LFR 78 300 million.

### Netherlands (NL)

29.11 The Governor of the central bank announces several measures to accompany the deregulation of the financial market: the volume of new forms of guilder sight paper and the holder's name will be registered; banks will be subject to tighter controls in respect of their off-balance sheet activities and these new products will be taken into account for the calculation of bank solvency and the requirement that, as a counterpart to such liabilities, banks must constitute a reserve of 4.5% of their capital; the volume of bank issues of short-term certificates of deposit will be included in the money supply; the share of a guilder bond issue which can be placed abroad will be limited to one-third of the amount.

10.12 The net minimum wage is increased by HFL 20 from 1 January 1986.

21.12 As a one-year experiment starting on 1 January 1986, the Minister for Social Security and Employment decides to encourage the reduction of working hours by making grants to enterprises.

### United-Kingdom (UK)

16.12 The Government publishes a White Paper presenting proposals for a major reform of the social security system. The main changes proposed are:

- to modify the state earnings-related pension scheme in such a way as to reduce its cost substantially in the long run;
- to encourage more occupational and private pension schemes;
- to simplify the structure and administration of income-related benefits;
- to set up a social fund, which would provide low-income households with assistance for maternity and funeral expenses and with discretionary loans for major purchases.

17.12 The Government presents a White Paper setting out proposals to tighten up the supervision of the banking system.

19.12 The Government publishes a financial service bill intended to help improve regulation of financial institutions and combat fraud.

### Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD
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